



# Audit

# Report

## OFFICE OF THE INSPECTOR GENERAL

AIR FORCE PLAN FOR IMPLEMENTATION OF  
DOD FINANCIAL MANAGEMENT REGULATION,  
VOLUME 14, "ADMINISTRATIVE CONTROL OF  
FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS"

Report No. 96-150

June 7, 1996

19991202 153

Department of Defense

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OPR

Office of Primary Responsibility



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Report No. 96-150

June 7, 1996

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)**

**SUBJECT:** Air Force Plan for Implementation of DoD Financial Management Regulation, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (Project No. 5FG-5051)

### **Introduction**

We are providing this evaluation report for your information and use. This report is the result of our evaluation of the Air Force plan for implementing Financial Management Regulation, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (volume 14). The evaluation was performed at the request of the Under Secretary of Defense (Comptroller) to assess the Military Departments' plans for implementing volume 14.

### **Evaluation Results**

The Air Force gave a high priority to improving investigating and reporting on Antideficiency Act violations. We commend the efforts of the Air Force. The plan discussed establishing Antideficiency Act Committees (the committees) at command level; however, it needed to state when the committees would be established and provide guidelines for the committees to follow to ensure consistent implementation Air Force-wide. The plan also needed to address the requirements of independence and training of investigating officers and designate an Office of Primary Responsibility for implementing volume 14, set specific milestones for implementation, and specify the implementing guidance to be used for communicating requirements to users. Management agreed to implement those corrective actions to comply with the requirements of volume 14.

### **Evaluation Objective**

The objective of the evaluation was to review the Air Force plan for implementing volume 14. This report is the first in a series that will discuss the implementation plan for each Military Department.

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## **Scope and Methodology**

**Scope and Methodology.** We evaluated the Air Force implementation plan, "Memorandum for Under Secretary of Defense (Comptroller), Subject: DoD Financial Management Regulation 7000.14-R, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, for compliance with the requirements of volume 14. To accomplish the evaluation, we conducted interviews and obtained documentation from Air Force personnel at the Office of Audit Liaison and Followup (Financial Management). We reviewed applicable Air Force regulations and guidance and compared the Air Force implementation plan to the requirements of volume 14.

**Evaluation Period, Standards, and Locations.** We issued our Announcement Letter on August 31, 1995, and began the field work on September 11, 1995. We obtained a copy of the Air Force implementation plan on September 18, 1995. Field work was performed at the Pentagon, and was completed March 27, 1996. We performed the evaluation in accordance with the auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

## **Prior Audits and Other Reviews**

The Inspector General, DoD, Report No. 91-015, "Survey Report on the Review of Processing of Violations of the Antideficiency Act," July 31, 1991, disclosed that the Military Department Audit organizations identified 84 potential or apparent violations involving funds of approximately \$500 million for the period October 1, 1987, through June 30, 1990, that were not reported to the Under Secretary of Defense (Comptroller). Recommendations included that one organization be given the responsibility for controlling, monitoring, and reporting all reported potential or apparent Antideficiency Act violations; a single organization be assigned the responsibility for ensuring that appropriate penalties are levied against individuals; and revision of DoD Directive 7200.1, "Administrative Control of Appropriation," May 7, 1984, be implemented which clarifies reporting requirements and establishes uniform penalties. Management agreed to the recommendations. DoD Directive 7200.1 was revised May 4, 1995. Under that revision, the head of each DoD Component assumes responsibility for controlling, monitoring, and reporting violations. Volume 14 incorporates the remaining recommendations.

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## Evaluation Background

On August 1, 1995, the Under Secretary of Defense (Comptroller) (the Comptroller) issued Financial Management Regulation, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, (volume 14). On August 14, 1995, the Comptroller requested the Inspector General, DoD, to review the plans of the Military Departments for implementing volume 14.

Volume 14 is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. That instruction provides financial management guidance by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the DoD. Volume 14 establishes procedures for DoD Components to use in identifying, investigating, and reporting violations of the Antideficiency Act.

## Discussion

The Air Force gave a high priority to improving management of investigating and reporting on Antideficiency Act violations. The Air Force implementation plan discussed establishing Antideficiency Act Committees (the committees) at command level; however, it needed to state when the committees would be established and provide guidelines for the committees to follow to ensure consistent implementation Air Force-wide. The plan also needed to address the requirements of independence and training of investigating officers and designate an Office of Primary Responsibility (OPR) for implementing volume 14, set specific milestones for implementation, and specify the implementing guidance to be used for communicating requirements to users.

**Antideficiency Act Committees.** The plan discusses establishing Antideficiency Act Committees at command level, but it needs to identify a date for when those committees should be established and provide guidelines the committees should follow to ensure consistency Air Force-wide. The guidelines should cover selection criteria for investigating officers and appointing officials, projected investigator needs for the command, reporting requirements to the commander and higher headquarters, and internal policy on formatting and staffing the results of the investigation. In addition, the plan should include procedures on coordinating policies with the Under Secretary of Defense (Comptroller), Defense Finance and Accounting Service, and the U.S. Treasury to keep abreast of changes within the financial management community. The Air Force agreed to develop specific time frames and guidance for establishing the Antideficiency Act Committees at command level.

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**Independence.** The plan needed to discuss how the investigating officer's independence would be ensured at appointment and maintained throughout the investigation process. Volume 14, chapter 4, requires that investigating officers have no vested interest in the outcome of the investigation, are capable of conducting a complete, impartial, unbiased investigation, and are selected from an organization external to the installation-level organization being investigated. The Air Force agreed to develop a process for commanders to follow for assigning investigators external to their organization.

**Training.** The plan needed to discuss how candidates would be selected to attend the training course, how the projected need for investigating officers would be determined, and how the roster of trained investigators would be developed and maintained. Volume 14, chapter 4, states that after September 30, 1996, investigating officers must meet certain training requirements. Volume 14, chapter 8, states that "... DoD Components shall nominate a number of civilian and military personnel to attend a training course for investigating officers based on the DoD Components' projected needs for investigating officers" and discusses the development of a roster of personnel who have completed formal training so that a list of trained investigators can be maintained and used by appointing officials. The Air Force agreed to develop procedures for nominating future investigators for training and to develop a system to track those who have completed training on a roster that can be used by appointing officials to assign investigating officers.

**Office of Primary Responsibility.** An Office of Primary Responsibility at the departmental level should be appointed to approve guidance on investigator independence and training, establish implementing milestones, determine the implementing guidance (that is, handbook, regulation, pamphlet, etc.), and ensure that the Antideficiency Act Committees at the command level are properly established. The assignment of an OPR would provide oversight and ensure timely implementation of volume 14. The Air Force agreed that the assignment of an OPR would ensure timely implementation of volume 14.

**Milestones.** The Air Force plan should contain milestones for implementing the specific requirements of volume 14. For example, the plan should mention how to complete the Annual Report of Evaluation in which six specific areas are to be addressed and reported to the Under Secretary of Defense (Comptroller) by January 31, 1996. The plan should also address who is responsible for processing and issuing the Annual Report of Evaluation and what data is to be collected and maintained. Other requirements include establishing the training program and developing a roster of qualified personnel to serve as investigating officers. The Air Force stated that they would develop milestones for implementing the specific requirements outlined in volume 14.

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**Implementing Guidance.** The plan needs to define the implementing guidance to be used to communicate the requirements, processes, and procedures of volume 14 to its users. Air Force personnel stated that they would revise the "Air Force Antideficiency Act Violation Handbook," November 1994, (the Handbook) to incorporate the requirements of volume 14. The Handbook provides appropriation criteria, but it needs to contain adequate procedures for conducting financial related investigations. A revision of the Handbook should include guidelines on selecting investigating officers and provide more detailed instructions or reference other regulations for investigators to follow while conducting investigations. The Air Force agreed that the type of implementing guidance (such as a regulation, manual, pamphlet, or handbook) should also be defined in the plan.

## **Summary**

We commend the Air Force for giving a high priority to implementing Volume 14. On January 23, 1996, we discussed the advice outlined in this report with personnel at the Office of the Under Secretary of Defense (Comptroller) and with personnel at the Office of the Deputy Assistant Secretary of the Air Force, Financial Operations, (Financial Management). We received agreement that the Air Force would develop specific time frames and guidelines for establishing the Antideficiency Act Committees at command level; develop a process for commanders to follow for assigning investigators external to their organization; develop procedures for nominating future investigating officers and for tracking investigating officers who have completed training; assign an Office of Primary Responsibility for implementing volume 14; develop milestones for implementing the specific requirements outlined in volume 14; and determine the media that would be used for implementing the guidance.

## **Management Comments**

We provided a draft of this report to the Air Force on March 28, 1996. The Air Force provided comments on April 30, 1996. The Air Force agreed with the results of the evaluation. In addition, the Office of the Under Secretary of Defense (Comptroller) provided comments on May 21, 1996. The Office of the Under Secretary of Defense (Comptroller) agreed with the report and emphasized that the DoD components must adequately investigate each potential violation and continue to place special emphasis on assuring that appropriate disciplinary action is administered. See Enclosures 1 and 2 for the complete text of the comments. Since those comments were responsive, no additional comments are necessary.

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We appreciate the courtesies extended to the audit staff. If you have any questions or wish to discuss this report, please contact Mr. Christian Hendricks, Audit Program Director, at (703) 604-9139 or Mr. Carl Zielke, Audit Project Manager, at (703) 604-9147. The distribution of this report is listed in Enclosure 4. Audit team members are listed inside the back cover.



Robert J. Lieberman  
Assistant Inspector General  
for Auditing

Enclosures

# Under Secretary of Defense (Comptroller) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

MAY 21 1996



MEMORANDUM FOR ACTING DIRECTOR, FINANCE AND ACCOUNTING  
DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL,  
DEPARTMENT OF DEFENSE

SUBJECT: Evaluation of the Air Force Plan for Implementation of DoD Financial Management Regulation, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (Project No. 5FG-5051)

Your office provided the subject draft evaluation report for review and comment. The evaluation was performed at the request of the Under Secretary of Defense (Comptroller) to assess the Military Departments' plans for implementing Volume 14.

The draft evaluation report commends the Air Force for giving a high priority to improving investigating and reporting on Antideficiency Act violations. The report also notes that the Air Force needs to take certain actions to comply with the requirements of Volume 14.

We have reviewed the subject draft evaluation report and agree with the suggestions offered in the report for the Air Force to implement Volume 14. Implementation of those suggestions will improve the Air Force's compliance with Volume 14.

Additionally, it is vitally important that the DoD Components, including the Air Force, fully implement the Department wide policy requirements in Volume 14. The DoD Components, including the Air Force, must adequately investigate each potential violation and continue to place special emphasis on ensuring that, in accordance with chapter 9, "Disciplinary Action," of Volume 14, appropriate disciplinary action is administered.

Questions regarding this matter may be directed to Mr. De W. Ritchie, Jr. He may be contacted on (703) 697-3135.

Alvin Tucker  
Deputy Chief Financial Officer

cc: ASA(FM&C)

# Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC



OFFICE OF THE ASSISTANT SECRETARY

APR 3 0 1005

MEMORANDUM FOR ACTING DIRECTOR, FINANCE AND ACCOUNTING  
DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE

SUBJECT: Evaluation of the Air Force Plan for Implementation of DoD Financial Management Regulation, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (Project No. 5FG-5051)

Attached are the Air Force's specific comments to the subject draft evaluation report. We agree with your evaluation results, and we thank you for commanding our efforts to improve our Antideficiency Act investigating and reporting processes. Actions have been initiated on all your suggestions, and most actions will be completed in a very short time.

Thank you for the opportunity to comment on this report. Questions regarding this may be directed to Mr. Vaughn E. Schlunz, 697-2905, or Mr. Dave Sapp, 697-6051.

JOHN J. NETHERY  
Deputy Assistant Secretary  
(Financial Operations)  
Financial Management & Comptroller

1 Attachment  
Comments

cc: SAF/FM

## Department of the Air Force Comments

### Air Force Response to DoD(IG) Draft Evaluation Report (Project No. 5FG-5051)

**Agreed to Actions for Implementing Financial Management Regulation, Volume 14  
"Administrative Control of Funds and Antideficiency Act Violations"  
1 August 1995**

The Air Force will take the following agreed to actions in response to the DoD(IG) Evaluation Report (Project 5FG-5051).

1. The office of the Deputy Assistant Secretary, Financial Operations (SAF/FMP) is presently amending Air Force Policy Directive (AFPD) 65-6, "Financial Management, Budget," dated 13 December 1993, to establish comprehensive Antideficiency Act (ADA) policy. The revised Policy Directive
  - emphasizes the Air Force's plan to take timely and aggressive action to identify, investigate, report, and process ADA violations.
  - designates SAF/FMP as the Office of Primary Responsibility for establishing policy for and executing the Air Force's program for identifying, investigating, reporting, and processing ADA violations.
  - makes (MAJCOM), Direct Reporting Unit (DRU), and Field Operating Agency (FOA) financial management organizations responsible for training, developing, and maintaining a roster of trained investigating officers; ensuring investigating officer independence; providing expert technical assistance, as necessary, to investigating officers; advising the Commander on the financial and legal sufficiency of Reports of Violation; and developing and maintaining an ADA awareness program to include lessons learned.

The estimated completion date for publishing revised AFPD 65-6 is 28 June 1996.

2. The Air Force Materiel Command Financial Management organization has taken the lead on preparing an Air Force Instruction (AFI) that implements the ADA policy contained in AFPD 65-6 and communicates Volume 14's requirements, processes, and procedures to Air Force users. AFI's contain procedural guidance that must be implemented the same way by all MAJCOM, DRU, FOA organizations to comply with a law or for other compelling reasons. The AFI will discuss
  - preparing the Annual Report of Evaluation and what data is to be collected and maintained.

## Department of the Air Force Comments

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- coordinating policies with the DoD Comptroller, Defense Finance and Accounting Service, and the U.S. Treasury to keep abreast of changes within the financial management community.
- performing preliminary investigations and preparing and processing preliminary investigative reports;
- performing ADA investigations and preparing and processing Reports of Violation.
- establishing an ADA Integrated Process Team within MAJCOM, DRU, and FOA financial management organizations. The guidance will address the Integrated Process Team's responsibility for
  - ◊ training, developing, and maintaining a roster of trained investigating officers;
  - ◊ ensuring and maintaining investigative officer independence throughout the investigation;
  - ◊ providing expert technical assistance, as necessary, to investigating officers;
  - ◊ advising the Commander on the financial and legal sufficiency of Reports of Violation; and
  - ◊ developing and maintaining an ADA awareness program to include lessons learned.

The estimated completion date for publishing the AFI is 30 September 1996.

3. The Air Force has reconsidered its plan to establish ADA Committees at command level. The decreasing number of Air Force ADA investigations, and the concentration of most ADA investigations within only a few Major Commands, does not warrant instituting an ADA Committee at each Major Command organization. In lieu of a ADA Committee, an ADA Integrated Process Team within MAJCOM, DRU, and FOA financial management organizations will have responsibility for overall ADA investigation planning, performance and reporting.

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## **Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller), Washington, DC

### **Department of the Air Force**

Inspector General of the Air Force, Washington, DC

Deputy Assistant Secretary, Financial Operations (Financial Management),  
Washington, DC

Director for Audit Liaison and Followup (Financial Management),  
Washington, DC

Enclosure 3

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## **Evaluation Team Members**

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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